BOOK REVIEWS AND NOTICES

Social Value. A Study in Economic Theory Critical and Constructive. By B. M. ANDERSON, JR. Boston: Houghton Mifflin & Co., 1911. 8vo, pp. xviii+204. $1.00 net.

Following the example of many other controversial works, the book before us undertakes to clear the field of other theories before setting forth its own. In the process of destructive criticism it is not always so careful as it might be to interpret rival theories in the most favorable terms of which they are capable. This is a serious difficulty because, if any other canon of criticism is adopted, no theory, not even the one set up by the critic himself, can ever hope to escape destruction.

Among the theories which suffer from unfavorable interpretation is the well-known one that value is power in exchange. This the author interprets as meaning nothing more than that value is a mere ratio of exchange and, as such, is incapable of measurement or of quantitative expression. It ought to have occurred to him that power in exchange might be interpreted as meaning *power* to do something, i.e., to effect exchanges as transfers of goods, or to overcome mental resistance of one kind or another. Such a conception of value makes it a thing to be measured and expressed quantitatively, and, under such a conception, "dollar-power" has as clear a meaning as "horse-power." To be sure, the unit called "dollar-power" may change from time to time, and be less stable than the unit which we call "horse-power"; but the one carries as clear a meaning at any given instant as the other. The perfection or imperfection of the unit of measurement may be determined by its stability or instability, but the fact that it serves as a unit of measurement is not thus determined. There may be a unit of measurement, albeit an imperfect one, which itself changes its magnitude every minute.

A good many writers have tried their hands recently at the demolition of the marginal utility theory of value. Sometimes the demolisher proceeds by the large-minded method of calling it "mere" hedonism and then asserting that hedonism is out of fashion, without showing in what precise sense the marginal utility theory is hedonism or in what precise sense hedonism has been rejected by psychologists. That a

man sometimes prefers one thing to another, that his preference for either the one or the other is likely to be affected by the number of other things just like it which he has or can easily get, and that his preference will affect his willingness to exchange or make other sacrifices, are presumptions which we can afford to retain even if psychologists do abandon hedonism. And yet, such assumptions as these are the groundwork of the marginal utility theory of value.

A sample of another form of criticism, which the author reproduces approvingly under the name of Clark's law, is to the effect that because of the various utilities combined in so complex an article, say, as an automobile, and because the buyer of an automobile is not the marginal buyer of each of these utilities but is able to get each of them for the equivalent of its value to its marginal buyer, therefore the buyer of an automobile can buy it for much less than it is worth to himself. That is, the total value to the buyer might be \$5,000 (the value of transportation) plus \$3,000 (the value of comfort) plus \$4,000 (the value of elegance and social distinction) plus \$2,000 (the value of speed and exhilaration), or a total of \$14,000. But he can get it for \$10 (the value of transportation to the marginal buyer of carts) plus \$90 (the value of comfort to the marginal buyer of buggies) plus \$700 (the value of elegance and social distinction to the marginal buyer of carriages) plus \$2,000 (the value to himself, who is the marginal buyer, of speed and exhilaration), making a total of only \$2,800 which he had to pay for the automobile. To quote the author:

> "Now his automobile—and he is the marginal buyer, and he buys only one—gives him satisfaction far in excess of that measured by the price he has to pay for it. The automobile, economically considered, is several distinct services bundled together, worth to him \$5,000 plus \$3,000 plus \$4,000 plus \$2,000. But he pays for the automobile only \$2,800, or less than he would have paid even for the first service. . . . . The total utility of this marginal automobile, to this marginal user, would balance \$14,000 in his mind, and this, by the Austrian analysis, ought to be the price."

If this is really the marginal automobile, and if he is really the marginal buyer, then the manufacturers ought to be able to sell as many automobiles at \$14,000 as at \$2,800. If they could not, it must be because some buyers who are willing to pay \$2,800 would refuse to pay \$14,000 for it. The man who is willing to pay just \$2,800 and no more is the marginal buyer, as the Austrians would understand it, and it is scarcely fair to father upon them any other conception of a marginal buyer. Possibly such a buyer as this ought to be convinced by the above rea-

soning and be willing to hand over his $14,000, provided, of course, he could not get it for less. That is to say, the manufacturers ought to equip their salesmen with this so-called "law," then raise the price to $14,000 and sell as many as they are now selling at $2,800. If this will not work, there must be something wrong with the "law."

As a matter of fact there is, as has been shown several times already. The $2,800 which it takes to buy this automobile will also buy other complicated things embodying multitudinous forms of utility, any one of which things could be shown to be worth $14,000 by the reasoning embodied in this law. When carried out thus logically, it could be shown that $2,800 will always purchase $14,000 worth of stuff. They who are convinced of this ought not worry any more about the high cost of living. As a matter of fact, this is no law at all, since the marginal buyer always surrenders something which is worth approximately as much to himself as the thing which he gets. Otherwise he is no marginal buyer at all, and the thing which he buys is no marginal unit.

Just what is meant by social value, as distinct from other concepts of value, is not easy to state. To say that value is a kind of motivation does not get us any farther than to say that value is power in exchange, if we mean by that power to overcome mental resistance and induce men to give up possessions which they would like to keep, or to make exertions to produce exchangeable things. It is highly important, however, to have this idea elaborated and expounded in detail. This, in the mind of the reviewer, is the chief service rendered by the book before us. That value is a test of need on the one hand, and of service on the other, so long as people know their own needs, is an idea which will also bear much elaboration. That it is a greater service to supply a thing which is scarce, and of which society stands in great need, than to supply a thing which is already abundant and of which society already has almost as much as it needs, is easily seen. It is not everyone, however, who sees that value furnishes the kind of motivation needed to secure the kind of service which society most needs, or rather, which it thinks it needs most.

There is in this book a slight tinge of that psycho-social theory which reverses the ordinary processes of thought and calls society the concrete reality and the individual an abstraction. To be sure, we can punch the individual in the ribs with our umbrella, and we can do nothing of the kind to society, but that does not prove anything. The individual can develop only in society. That is to say, he can develop as we think that he ought to develop, only in society. The same is

true of a pine tree. It makes valuable sawing timber only when it grows in a forest, yet we would scarcely assert that when it grows in the open it is not a pine tree. A theory of value which seems to depend for its validity upon some of these peculiar notions of the social psychologist may be interesting, and it may be useful if it makes us look at things from a new point of view; but it is not necessarily a sign of obtuseness or unprogressiveness if we do not show great haste or precipitation in accepting it, particularly if its acceptance must be preceded by a renunciation of all others.

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Monetary Economics. By W. W. CARLILE. New York: Longmans, Green & Co., 1912. 8vo, pp. xii+306.

Mr. Carlile's book contains a few chapters on money but is not a treatise upon this subject. The word "Monetary" in the title "is rather to be looked upon as a Homeric epithet than as a differential adjective. *There is no economics that is not monetary*" (p. 7; italics are the reviewer's). Being an emphatic man, the author does not mind insisting upon a point, even in the title. Since the book is not a principles of money, one might conclude that it must be simply a principles of economics. It is not this, however, at least not in an ordinary sense. It is instead a sort of philippic against economic theory, especially against the economics of the "university" theorists. A theorist is a producer of "elusive phantasms," "clouds of words to vex the souls of the uninitiated," to say nothing of "impenetrable fog banks of verbosity." Some of the theorists to receive especial chastisement are Mill, Marshall, Edgeworth, Pigou, v. Wieser, v. Böhm-Bawerk, J. B. Clark, Seligman, and Irving Fisher. When Mr. Carlile leaves off with these gentlemen their works appear to lie in ruins. Generally speaking, writers on economics fall into two classes, theorists and eminent economists. Eminent economists seem to be chiefly that class of writers whose views, especially on matters monetary, coincide with those of Mr. Carlile. Thus there is that eminent economist, M. Yves Guyot, who knows that whatever fluctuations index numbers may show, it cannot be the value of gold that varies; or Mr. Harold Cox, "able and cautious," who realizes that M. Yves Guyot is right (p. 155).

The superstition that terms should be defined comes first among the dogmas of the theorists demolished by Mr. Carlile. Chaps. i to iv suffice to lay this error. Mr. Carlile maintains with fervor that terms